



March 23, 2007

U.S. House of Representatives  
Washington, D.C. 20515

Dear Representative:

The coalition supporting Equity for Our Nation's Self-Employed would like to highlight an important issue relating to both health care and tax which continues to hurt America's smallest businesses. The self-employed have been hit particularly hard by the rising costs of health care. The coalition is a group of leading small business and trade organizations who feel strongly that the self-employed must have a fair and level playing field in order to start up, grow and be successful in their business.

Under the current tax code, corporations are able to deduct health insurance premiums as a business expense and to forego payroll (FICA) taxes on these expenses. Employees of all businesses are able to pay their employee contribution to health coverage with pre-tax dollars. However, those that are self-employed (sole-proprietors) are unable to deduct premiums as a business expense and are required to pay an additional 15.3 percent self-employment tax on their health care costs. **The self-employed are the only segment of the business population that pays this extra tax on health insurance.**

According to a 2006 Kaiser study, an individual pays an average of \$11,480 annually in health insurance premiums for family coverage. Since sole-proprietors are not treated equally to other business entities, a self-employed individual with a per-year premium of \$11,480 is paying \$1,756.44 (15.3 percent) in extra payroll taxes on their health insurance. This is money that could be used to reinvest and grow their business, cover out-of-pocket expenses of their current health coverage or provide funds to afford health insurance if they are currently uninsured.

We know that federal budget concerns and providing access to affordable health coverage are tough issues currently faced by Congress. However, providing a small business owner with the same tax treatment that big business already has is the right thing to do and will have an immediate positive impact on the self-employed.

We encourage you to look at legislation in the past Congress (H.R. 4961) which addressed this issue and ask that you support efforts to create parity for the self-employed regarding health deductibility. If you have any questions or comments, please contact the coalition at 202-466-2100. For more information about this issue and the coalition, please go to [www.setaxequity.org](http://www.setaxequity.org).

We look forward to working with you and your staff on this important issue affecting the self-employed. Thank you for your consideration.

Sincerely,

The Coalition Supporting Equity for Our Nation's Self-Employed

#### Members

American Farm Bureau Federation  
American Small Business Alliance  
The American Small Business Coalition  
American Veterinary Medical Association  
Arkansas State Chamber of Commerce  
Associated Industries of Arkansas, Inc.  
Associated Builders & Contractors  
Association of Small Business Development Centers  
California Small Business Association  
Communicating for Agriculture & the Self-Employed  
Computing Technology Industry Association  
Council for Affordable Health Insurance  
Council of Smaller Enterprises  
Delaware State Chamber of Commerce Small Business Alliance  
Greater Albuquerque Chamber of Commerce  
Indiana Chamber of Commerce  
Kentucky Chamber of Commerce  
Missouri Merchants & Manufacturers Association  
Montana Chamber of Commerce  
National Association for the Self-Employed  
National Association of Women Business Owners  
National Cattlemen's Beef Association  
National Federation of Independent Businesses  
National Small Business Association  
New Jersey Chamber of Commerce  
North Carolina Citizens for Business and Industry  
Rockford Chamber of Commerce  
Small Business & Entrepreneurship Council  
Small Business Legislative Council  
Small Business Majority  
Small Business United of Texas  
Society of American Florists  
U.S. Chamber of Commerce  
U.S. Hispanic Chamber of Commerce

Virginia Chamber of Commerce  
Women Entrepreneurs Inc.  
Women Impacting Public Policy